

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 340.45 | 0.00 | 0.00 | 340.45 | 0.00 | 0.00 | 340.45 | 340.45 |
| Personal Services | 13,413,633 | 2,567,594 | 253,024 | 16,234,251 | 2,574,750 | 252,940 | 16,241,323 | 32,475,574 |
| Operating Expenses | 3,595,357 | 131,727 | 0 | 3,727,084 | 164,048 | 0 | 3,759,405 | 7,486,489 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 5,445,386 | 0 | 1,500,000 | 6,945,386 | 0 | 1,600,000 | 7,045,386 | 13,990,772 |
| Benefits & Claims | 23,684,654 | 2,666,234 | 1,074,060 | 27,424,948 | 4,073,745 | 1,079,366 | 28,837,765 | 56,262,713 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 88,687 | 0 | 0 | 88,687 | 0 | 0 | 88,687 | 177,374 |
| Total Costs | \$46,227,717 | \$5,365,555 | \$2,827,084 | \$54,420,356 | \$6,812,543 | \$2,932,306 | \$55,972,566 | \$110,392,922 |
| General Fund | 20,903,608 | 3,618,517 | 885,587 | 25,407,712 | 4,488,429 | 890,862 | 26,282,899 | 51,690,611 |
| State/Other Special | 1,451,685 | 431,358 | 0 | 1,883,043 | 431,370 | 0 | 1,883,055 | 3,766,098 |
| Federal Special | 23,872,424 | 1,315,680 | 1,941,497 | 27,129,601 | 1,892,744 | 2,041,444 | 27,806,612 | 54,936,213 |
| Total Funds | \$46,227,717 | \$5,365,555 | \$2,827,084 | \$54,420,356 | \$6,812,543 | \$2,932,306 | \$55,972,566 | \$110,392,922 |

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Legislative Budget Analysis, B-58

Funding

The division is funded from a variety of sources, with the precise funding and federal matching rates varying by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers as one factor in allocating funding the results of a random moment time study of social worker time spent on various activities. The major funding sources for the division include general fund (almost 47 percent), federal foster care and adoption subsidy funds (almost 23 percent), and federal funds obtained through the cost allocation process (almost 18 percent). Most of the general fund supporting the division is used as matching funds to draw federal funds. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

Program Narrative

Federal Review

In the past two to three years, CFSD has been the subject of two federal reviews. In August of 2002 the division had its first federal Child and Family Service Review (CFSR) by the Administration of Children and Families, the federal agency responsible for oversight and management of the federal foster care and adoption programs operated under Title IV-E of the Social Security Act. Since the passage of the federal Adoption and Safe Families Act (ASFA) in 1997, states have been reviewed utilizing revised criteria that focus on the achievement of positive outcomes for children. Since the inception of this new type of review, no state has achieved compliance with all of the performance measures, and every state reviewed to date has been required to enter into a performance improvement plan (PIP). Montana's PIP was approved by the federal agency in January of 2004. The estimated penalty to the state as a result of the findings of the CFSR was a \$3.4 million reduction in federal funds.

Information presented to the legislature by the division indicates that the division may not satisfactorily complete all items included in its performance improvement plan. Division staff indicated they are confident that compliance will be achieved for four of the nine outcome measures in question, but are not confident that compliance will be achieved for the remaining five outcome measures in question. Division staff indicated the potential penalty for noncompliance in the first year is about \$400,000 of lost federal reimbursement for each outcome measure that is not in compliance with federal

regulations. If compliance with five of the outcome measures is not achieved, the estimated penalty is about \$2 million the first year and increases in subsequent years if compliance is not achieved.

In addition to this review, a review of federal IV-E eligibility compliance was completed in June of 2003. The Title IV-E foster care eligibility review included 80 cases. Of those 80 cases, 22 cases were found to be in error in either all or part of the review period and 7 cases, while not defined as an error case, had a disallowance. Because the number of error cases exceeded four, the Administration for Children and Families determined Montana not in substantial compliance with federal IV-E eligibility requirements. As a result Montana must enter into a PIP designed to correct these errors. Per the review report, "An analysis of the error and disallowance cases reveals that the majority of the errors relate to court findings." As a result of this review, \$317,752 of reimbursement claimed under the federal IV-E program was disallowed and must be repaid. Because this was a preliminary review the findings of this review were not extrapolated and applied to the entire population for which federal reimbursement was claimed. The division is scheduled for another IV-E eligibility review in 2005 and the findings of this review will be extrapolated and applied to the entire population for which federal reimbursement was claimed. Thus, the potential penalties and disallowances due to compliance issues identified in future reviews are much greater than those experienced to date.

Caseload Increases

The legislature approved the executive request for increases in subsidized adoption and foster care costs due to caseload increases and decreases in federal funding.

Subsidized Adoption

For the 2007 biennium subsidized adoption caseload costs increase \$2.2 million general fund (\$4.7 million total funds). Subsidized adoption costs are projected to increase 7.6 percent between FY 2004 and 2005 and 13 to 16 percent per year in FY 2006 and 2007. Subsidized adoption caseload costs are projected to continue a compounded rate of growth of about 20 percent in the 2007 biennium. This is slightly lower than the compounded rate of growth experienced between FY 1996 through FY 2004. Both the number of subsidies and the cost per client is expected to increase. Adoption subsidies continue to increase because the number of children placed with an adoption subsidy each year is greater than the number of children "aging out" and no longer receiving subsidies. The average cost per subsidy increases because new subsidies are generally negotiated at a higher reimbursement rate than the subsidies negotiated a number of years ago. Thus, the subsidized adoption caseload is the result of cumulative increases in the number and costs of adoption subsidies.

Foster Care

Foster care costs for the 2007 biennium are projected to increase \$2.1 million general fund (\$2.8 million total funds) above the FY 2004 base budget. Total foster care costs are projected to increase by 1.5 percent per year between FY 2006 and 2007. Total foster care costs decreased about \$0.8 million between FY 2002 and 2003, and there were also slight decreases in costs between FY 2001 and 2002, and FY 2003 and 2004. However, FY 2005 costs are currently increasing at a rate of about 6 percent above the FY 2004 level. Since reaching a high of \$17.5 million in FY 2001, foster care costs decreased about \$1.2 million to \$16.3 million in FY2004 but are expected to reach about \$17.3 million in FY 2005. The increase in foster care caseload also includes an increase in general fund support of almost \$1 million for the biennium due to a decline in federal reimbursement related to compliance issues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------------|------------------|------------------|--------------------|-----------------------|--------------------|------------------|--------------------|--------------------|-----------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 2,087,764 | | | | | 2,081,953 | |
| Vacancy Savings | | | | (620,051) | | | | | (619,828) | |
| Inflation/Deflation | | | | (31,665) | | | | | (30,773) | |
| Fixed Costs | | | | 8,921 | | | | | 9,853 | |
| Total Statewide Present Law Adjustments | | | | \$1,444,969 | | | | | \$1,441,205 | |
| DP 15 - Subsidized Adoption Caseload Increase | | | | | | | | | | |
| 0.00 | 820,550 | | 0 | 948,702 | 1,769,252 | 0.00 | 1,365,886 | 0 | 1,551,442 | 2,917,328 |
| DP 18 - Foster Care Caseload Increase | | | | | | | | | | |
| 0.00 | 565,303 | 429,929 | (98,250) | 896,982 | 896,982 | 0.00 | 751,735 | 429,929 | (25,247) | 1,156,417 |
| DP 35 - Annualize Medicaid Targeted Case Management Costs | | | | | | | | | | |
| 0.00 | 979,881 | | 0 | 979,881 | 979,881 | 0.00 | 992,625 | 0 | 0 | 992,625 |
| DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption | | | | | | | | | | |
| 0.00 | 265,392 | | 0 | (265,392) | 0 | 0.00 | 375,104 | 0 | (375,104) | 0 |
| DP 49 - Overtime - Replace Base Budget | | | | | | | | | | |
| 0.00 | 48,000 | | 0 | 72,000 | 120,000 | 0.00 | 48,000 | 0 | 72,000 | 120,000 |
| DP 53 - Rent Increases | | | | | | | | | | |
| 0.00 | 61,788 | | 0 | 92,683 | 154,471 | 0.00 | 73,987 | 0 | 110,981 | 184,968 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$2,740,914 | \$429,929 | \$749,743 | \$3,920,586 | 0.00 | \$3,607,337 | \$429,929 | \$1,334,072 | \$5,371,338 | |
| Grand Total All Present Law Adjustments | | | | \$5,365,555 | | | | | \$6,812,543 | |

DP 15 - Subsidized Adoption Caseload Increase - The legislature provided \$2.2 million general fund and \$2.5 million federal funds for the biennium to support anticipated increases in the subsidized adoption caseload.

DP 18 - Foster Care Caseload Increase - The legislature provided \$1.3 million general fund and \$0.9 million state special revenue, and reduced federal funds \$0.1 million for the 2007 biennium to reflect the anticipated increase and funding changes in the foster care caseload.

DP 35 - Annualize Medicaid Targeted Case Management Costs - The legislature provided almost \$2 million of general fund for the biennium to annualize the impacts of implementation of Medicaid reimbursement for targeted case management (TCM) services provided to foster care children and reductions in federal Title IV-E funding support for administrative costs.

DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption - The legislature provided \$640,496 general fund with an offsetting reduction in federal funds to include the impact of the change in the Federal Medical Assistance Participation (FMAP) Rate in the 2007 biennium budget for foster care and subsidized adoption benefit payments.

DP 49 - Overtime - Replace Base Budget - The legislature provided \$96,000 general fund (\$240,000 total funds) for the biennium for overtime compensation and the payout of compensatory time earned in excess of 120 hours. Per the division overtime may occur when social workers get called out at night or are required to work additional hours due to staff shortages.

DP 53 - Rent Increases - The legislature provided \$135,775 general fund (\$339,439 total funds) for the biennium for increased rent costs. The division pays rent in 39 local offices across the state. According to the division most of the rental agreements have been negotiated for several years into the future and include annual inflationary increases ranging from 1.5 percent to 3 percent except for the Billings office (one of the largest offices), which has a negotiated 5 percent increase per year.

Per the division, two major changes make up a significant portion of this rental increase. Due to the expiration of the lease and the sale of the building, the Missoula office has changed location effective July 2004. The new location is co-located with the Office of Public Assistance and resulted in a significant increase in costs per square foot (57 percent). Additionally, the current location of the Great Falls office was seen as inadequate due to safety concerns and inadequate space for confidential family meetings. The Great Falls office is negotiating a change of location and anticipates rent will increase 45 percent above the base year costs.

New Proposals

| New Proposals | | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| | | | | | | | | | | | |
| DP 152 - Increased Federal Grants | | | | | | | | | | | |
| 03 | 0.00 | | 0 | 0 | 300,000 | 300,000 | 0.00 | 0 | 0 | 400,000 | 400,000 |
| DP 177 - Education and Training Vouchers for Foster Youth | | | | | | | | | | | |
| 03 | 0.00 | | 0 | 0 | 157,000 | 157,000 | 0.00 | 0 | 0 | 157,000 | 157,000 |
| DP 178 - Social Services Stipend Program | | | | | | | | | | | |
| 03 | 0.00 | | 0 | 0 | 1,200,000 | 1,200,000 | 0.00 | 0 | 0 | 1,200,000 | 1,200,000 |
| DP 703 - Reduce Vacancy Savings to 2 percent | | | | | | | | | | | |
| 03 | 0.00 | | 94,527 | 0 | 158,497 | 253,024 | 0.00 | 94,496 | 0 | 158,444 | 252,940 |
| DP 704 - Family Foster Care Rate Increase | | | | | | | | | | | |
| 03 | 0.00 | | 192,000 | 0 | 82,286 | 274,286 | 0.00 | 192,000 | 0 | 82,286 | 274,286 |
| DP 705 - Foster Care Group Home Rate Increase | | | | | | | | | | | |
| 03 | 0.00 | | 102,000 | 0 | 43,714 | 145,714 | 0.00 | 102,000 | 0 | 43,714 | 145,714 |
| DP 3201 - Foster Care Clothing Allowance | | | | | | | | | | | |
| 03 | 0.00 | | 30,000 | 0 | 0 | 30,000 | 0.00 | 30,000 | 0 | 0 | 30,000 |
| DP 3203 - Big Brothers Big Sisters | | | | | | | | | | | |
| 03 | 0.00 | | 90,000 | 0 | 0 | 90,000 | 0.00 | 90,000 | 0 | 0 | 90,000 |
| DP 3205 - Foster Care Increase | | | | | | | | | | | |
| 03 | 0.00 | | 377,060 | 0 | 0 | 377,060 | 0.00 | 382,366 | 0 | 0 | 382,366 |
| Total | 0.00 | \$885,587 | | \$0 | \$1,941,497 | \$2,827,084 | 0.00 | \$890,862 | \$0 | \$2,041,444 | \$2,932,306 |

DP 152 - Increased Federal Grants - The legislature approved \$700,000 federal funds for the biennium for increases in various grants including 1) \$200,000 in FY 2006 and \$300,000 in FY 2007 for the Safe and Stable Families grant (Title IV-B, Subpart 2) and 2) \$100,000 per year for the Independent Living Grant. Both grants require a 20 percent match. The division states it has adequate matching funds in the base budget to draw the Safe and Stable Families grant and that the match for the Independent Living grant will be provided at the local level.

DP 177 - Education and Training Vouchers for Foster Youth - The legislature approved \$314,000 federal funds for the Education and Training Voucher (ETV) program, which is a newly authorized purpose under the Chafee Foster Care Independence Program (CFCIP). This grant targets resources to meet the specific education and training needs of youth aging out of foster care. This grant requires a 20 percent match, which is provided by the independent Casey Family Program.

DP 178 - Social Services Stipend Program - The legislature approved \$2.4 million federal funds for the biennium to provide stipends for social workers to obtain bachelor or master degrees in social work (BSW or MSW). The matching funds to support this program are provided by participating colleges. Currently, such a program (funded with federal IV-E funds) exists in conjunction with the University of Montana and Salish Kootenai College. BSW or MSW students may be provided a stipend in exchange for a commitment to work for a child welfare agency upon graduation (as required in federal regulations). In addition to the stipends, the schools also assisting in the selection process, create courses

specifically focused on child protective services, collaborate with division staff in designing field experiences, and provide other services.

DP 703 - Reduce Vacancy Savings to 2 percent - The legislature provided \$189,023 general fund and \$316,941 federal funds (\$505,864 total funds) for the biennium to reduce vacancy savings for field services, particularly social work positions from 4 to 2 percent.

DP 704 - Family Foster Care Rate Increase - The legislature provided \$384,000 general fund for the biennium and related federal matching funds to support a 4 percent rate increase in the first year of the biennium for family foster care providers.

DP 705 - Foster Care Group Home Rate Increase - The legislature provided \$204,000 general fund and related federal matching funds to support a 4 percent rate increase in the first year of the biennium for foster care group and shelter homes.

DP 3201 - Foster Care Clothing Allowance - The legislature provided \$60,000 general fund for the biennium to restore recent cuts to the clothing allowance for children in foster care.

DP 3203 - Big Brothers Big Sisters - The legislature provided \$180,000 general fund for the biennium to support Big Brothers Big Sisters programs of Montana. Big Brothers Big Sisters is a statewide organization that matches children with an adult volunteer big brother or big sister and provides services to about 350 children each month.

DP 3205 - Foster Care Increase - The legislature provided \$759,426 general fund for the biennium to support increases in foster care costs.

Language

The legislature approved the following language for inclusion in HB2:

“Child and Family Services Division includes \$126,401 in general fund money and \$143,838 in federal funds for fiscal year 2006 and \$129,101 in general fund money and \$147,013 in federal funds for fiscal year 2007 to replace funding removed because of the across-the-board personal services reduction implemented by the 2003 legislature and to support social work staff providing services to clients. The department shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services annually, at fiscal yearend0, on the impact of this additional staffing on division operations and compliance with federal requirements.

Funding in Foster Care – Respite Allowance may be used only to provide foster care-related respite care.

Funding in Foster Care – Transportation may be used only to provide foster care-related respite care, transportation, diapers, or clothing.

Funding in Foster Care – Diapers may be used only to provide foster care-related diaper allowances.

Funding in Foster Care – Clothing may be used only to provide foster care-related clothing allowances.”